

Employee Retention Study

The Study of Retaining Employees Nearing Retirement

Prepared by:
Human Resource Management Services
A Division of the Office of Management and Budget
State of North Dakota

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Table of Contents

Introduction.....	3
Methods	4
Survey Data.....	7
Active Employees 55+: Demographics	7
Active Employees 55+: Retirement Benefits	8
Active Employees 55+: Health Insurance	9
Active Employees 55+: Work.....	10
Active Employees 55+: Factors Leading to a Delayed Retirement	12
Active Employees 55+: Factors That May Entice Employees to Remain at Work	15
Retirees: Demographics	17
Retirees: Factors Affecting Retirement	17
Retirees: Work.....	19
Retirees: Importance of Work Factors in Your Decision to Retire	20
Retirees: Factors That May Have Delayed Retirement	21
Retirees: Back to Work.....	22
Other Public Employers: Demographics.....	24
Other Public Employers: Retention of Employees	24
Other Public Employers: Succession Plans	25
Other Public Employers: Concerns	25
Other Public Employers: Programs & Incentives.....	25
CSCA 10 States: Demographics	27
CSCA 10 States: Retention of Employees	27
CSCA 10 States: Succession Plans.....	28
CSCA 10 States: Programs & Incentives	28
CSCA 10 States: Top Concerns.....	29
Survey Analysis/Themes	30
Executive Interview Themes/Recommendations	33
Review of the Literature	36
Conclusions and Recommendations.....	41
Bibliography.....	45
Appendix.....	46

Introduction

The Sixty-first Legislative Assembly of North Dakota passed Senate Bill 2061. Specifically the Bill directed Human Resource Management Services (HRMS) to conduct a study to evaluate steps the State could take to recruit and retain state employees as they near retirement. As part of the study, HRMS was directed to:

- a. Select four state agencies with employees who occupy positions in the classified service to determine what actual and perceived barriers exist for retention and to determine what steps the State could take to increase retention of state employees who are retiring or nearing retirement.
- b. Survey agency heads and employees of the selected state agencies to determine perceived and actual barriers to retaining state employees.
- c. Consider steps the State could take to retain employees in the employing agency and steps the State could take to retain employees in state government employment in a different agency.
- d. Consider steps other public employers have taken to retain their workforce as members of their workforce near retirement.

The objective of the study was to determine and report to the legislative council specific recommendations of legislative and non-legislative actions the State could take to address the issue of state employee workforce retention.

Methods

To select the agencies for the study, HRMS looked at all of the state agencies employing classified workers and considered the total number of employees; the number of employees age 55+ eligible for early retirement; the number of employees age 65 eligible for normal retirement; the number of employees who have attained Rule of 85 eligible for normal retirement; and number of employees not eligible to retire. The following chart identifies the agencies selected and the demographic statistics for all employees in each agency, classified and unclassified:

Agency	# of Employees	Employees Retirement Eligible*		Employees Age 55+	
Tax Department	129	31	24%	42	33%
Health Department	337	43	13%	90	27%
Historical Society	62	11	18%	25	40%
Department of Transportation	1049	178	17%	310	30%

*Employees age 65 or Rule of 85

In contrast, the retirement demographic statistics for classified employees in all agencies are as follows:

Total # Classified Employees: 7092 (as of June 2010)		
		Employees Retirement Eligible*
Currently Eligible for Retirement	828	12%
Within 1 year of Retirement Eligibility	1019	14%
Within 5 years of Retirement Eligibility	1956	28%

*Employees age 65 or Rule of 85

HRMS invited agency management and human resource professionals from each of the selected agencies to form a taskforce to meet and discuss how to approach the study and the design of a survey instrument. The following persons were in attendance April 21, 2010:

Public Employees Retirement System

- Mr. Sparb Collins, Director

Health Department

- Mr. Kerry Olson, HR Director
- Mr. Dirk Wilke, HR Technician

Department of Transportation

- Ms. Pat Frohlich, HR Officer

Tax Department

- Mr. Ryan Rauschenberger, Deputy Director
- Ms. Nancy Sailer, HR Officer

State Historical Society

- Mr. David Skalsky, Deputy Director
- Mr. Ron Warner, Administrative Officer

HRMS

- Ms. Laurie Sterioti Hammeren, Director
- Mr. Ken Purdy, Compensation and Classification Manager
- Ms. Virginia Rivinius, HR Officer
- Ms. Stacey Breuer, Compensation Analyst/HR Officer

The taskforce suggested surveying two groups within the selected agencies: employees aged 55 and older and retirees of those agencies who had retired within the past five years. The survey was conducted using SurveyMonkey, a provider of web-based survey solutions that includes a self-service online software tool that organizations may use to design and deliver custom, electronic surveys to employees.

The taskforce generally discussed topics to include on each of the surveys, and agreed to have a follow-up meeting with retiree representatives present to discuss more detail about the study and to suggest survey content. The taskforce recommended organizing two committees to work on the design of two separate survey instruments. One subcommittee assisted in developing questions for employees of the pilot agencies and the second committee, including retirees of the pilot agencies, developed questions that were asked of retirees.

The two subcommittees met separately April 29, 2010. Members of each subcommittee were:

Retiree Subcommittee:**Health Department**

- Mr. Kerry Olson, HR Director
- Mr. John Hougen, Retiree

Tax Department

- Ms. Nancy Sailer, HR Officer
- Ms. Eileen Moberg, Retiree

Department of Transportation

- Ms. Pat Frohlich, HR Officer
- Mr. Errol Behm, Retiree

State Historical Society

- Mr. Ron Warner, Administrative Officer
- Mr. Jerry Newborg, Retiree

HRMS

- Ms. Laurie Sterioti Hammeren, Director
- Ms. Stacey Breuer, Compensation Analyst/HR Officer

Active Employees 55+ Subcommittee:**Health Department**

- Mr. Dirk Wilke, HR Technician

State Historical Society

- Mr. David Skalsky, Assistant Director

HRMS

- Ms. Laurie Sterioti Hammeren, Director
- Mr. Ken Purdy, Compensation & Classification Manager
- Ms. Virginia Rivinius, HR Officer
- Ms. Stacey Breuer, Compensation Analyst/HR Officer

The two subcommittees proposed the design and content of the survey instruments and determined the procedure that would be followed. Active employees would respond via SurveyMonkey, the online tool. The retirees would be sent a hard copy of the survey, but would also have an opportunity to respond online. Agencies notified employees and retirees of the survey in advance. Mr. Girish Budhwar, Research Analyst-Department of Public Instruction, reviewed the draft survey tools for content and structure reliability and validity.

The surveys were sent to employees and retirees on May 17, 2010. Participants were given until May 28, 2010 to complete the surveys. While employees and retirees were asked to identify the agency for which they worked, the survey was otherwise anonymous.

HRMS also interviewed agency managers and executives face-to-face as part of this study to determine the perceived and actual barriers to retaining state employees. Taskforce members from their respective agency were included in the interviews. The following agency managers/executives were interviewed:

- Mr. Francis Ziegler, Director, Department of Transportation
- Mr. Tim Horner, Deputy Director for Business Support, Department of Transportation
- Mr. Merl Paaverud, Director, State Historical Society of North Dakota
- Dr. Terry Dwelle, State Health Officer, Department of Health
- Mr. Cory Fong, Tax Commissioner, Tax Department

Finally, this study also included surveys of ten states in our geographic region and a sample of cities, counties and schools in North Dakota to determine what steps other public employers may have taken to retain older workers as they near retirement.

Survey Data

For the four surveys conducted, the survey response rates are shown in the following table.

Surveyed Entity	Survey Response Rates	Percent Response
Active Employees 55+	329/460	72%
Retirees	78/207	38%
Other ND Public Employers	24/40	60%
Ten States	8/10	80%

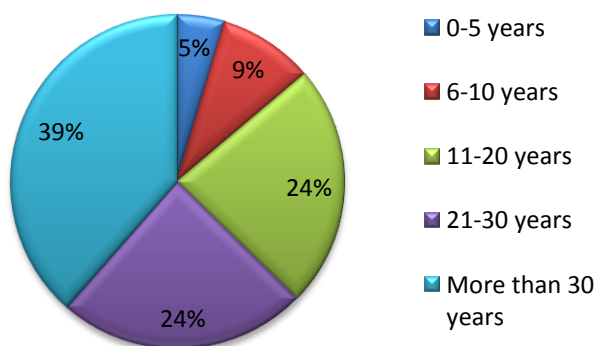
Data from the surveys is listed in the following order:

1. Active Employees 55+
2. Retirees
3. Other North Dakota Public Employers
4. Ten States

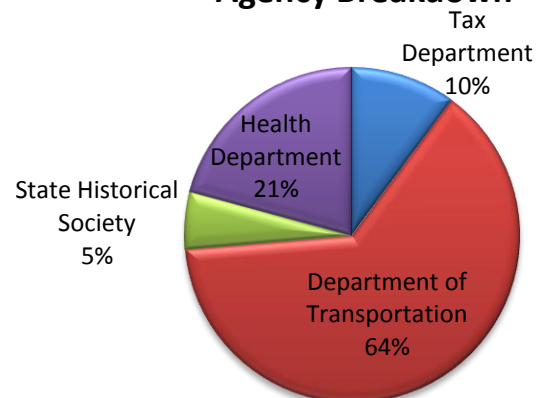
Active Employees 55+: Demographics

State employees ages 55 and older in the four pilot agencies participated in a survey to capture their thoughts about retirement including when they plan to retire, why they plan to retire, and what might entice them to continue working longer with the State. The following graphs illustrate the demographic information about the employees that completed the survey. Of the 460 employees that received the survey, 329 responded (72%).

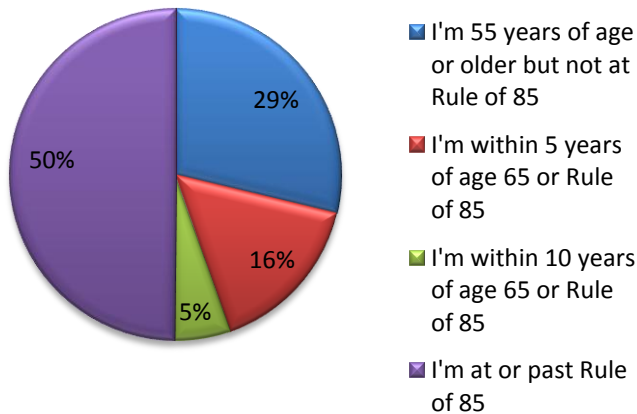
Tenure of Active Employees



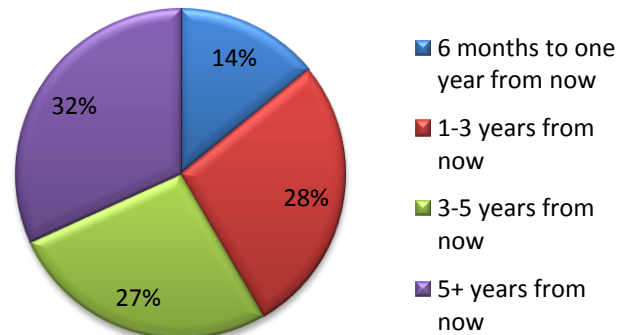
Agency Breakdown



Retirement Eligibility



Time Until Planned Retirement

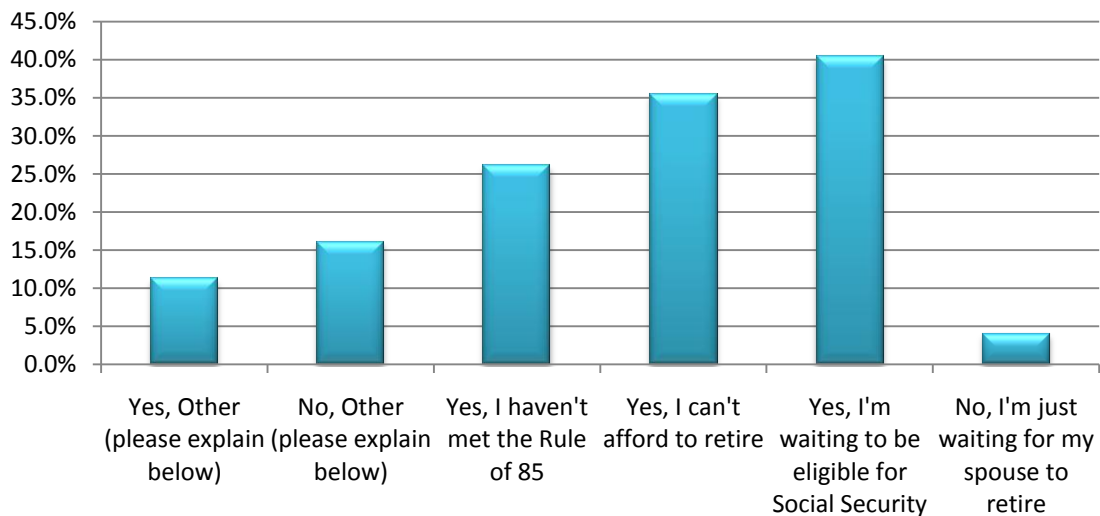


Active Employees 55+: Retirement Benefits

Do retirement benefits keep you from retiring?

This question was utilized to discover if retirement benefits such as the North Dakota Public Employees Retirement System (NDPERS) and Social Security are factors in determining the timing of retirement. The results indicate the biggest factor for delaying retirement to be *Eligibility for Social Security* (40%) with *Can't Afford to Retire* a close second (35%). *Meeting the Rule of 85* with NDPERS was also a very important factor with a 26% response rate.

Do retirement benefits keep you from retiring?



Employee Comments included in the “Other” categories:

Yes, Other:

1. Economic uncertainty
2. Fear the ND legislature will decrease NDPERS retirement benefits next session
3. Salary so low was not able to save enough money
4. Working longer at higher salary to increase NDPERS benefits

No, Other:

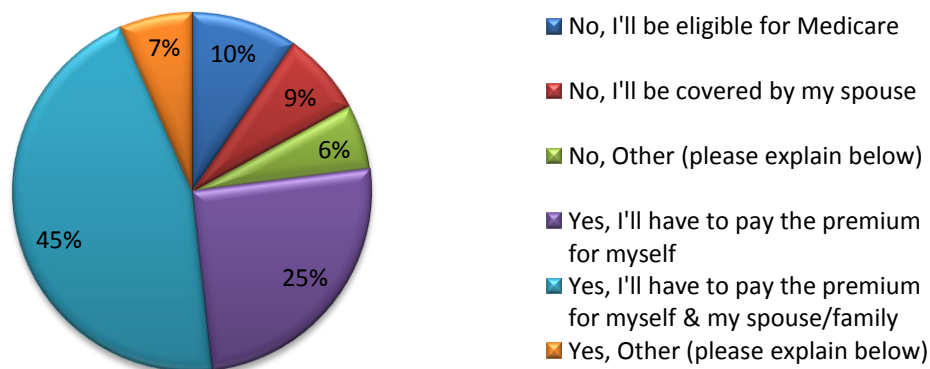
1. Not ready to retire, still enjoy my work
2. Health insurance costs are the reason I’m not retiring
3. Timing of spouse’s retirement

Active Employees 55+: Health Insurance

Do health insurance costs keep you from retiring?

Employees were asked to rate the importance of health insurance costs in determining when they will retire. Forty-five percent indicated health insurance costs are a factor in determining when they will retire because they will have to pay the premium for themselves and their spouse/family. Twenty-five percent indicated the cost of health insurance will be a factor because they will have to pay the premium for themselves. Six percent indicated the cost of health insurance will be a factor for other reasons.

Do health insurance costs keep you from retiring?



Employee comments included in the “Other” categories:

Yes, Other (6%):

1. Plan to continue working until my spouse is eligible for Medicare
2. Timing retirement to be on COBRA up until eligibility for Medicare

No, Other (6%):

1. I will have to pay for health insurance but it will not stop me from retiring
2. Covered under military or VA benefits

“The health credit after thirty years of service hardly puts a dent in the monthly health insurance cost.”

“Like many Americans today who are thinking about retirement, I have serious concerns about the new health care plan and whether or not the options I have now with Blue Cross Blue Shield of ND will still be there later with a private insurance plan. At the moment, I’m not having concerns regarding the benefit I will be receiving from the state, but I could delay my retirement until I’m eligible for Medicare. However, if, like other states, our legislature makes some money-saving changes to our pension plan, that would change everything.”

Employee Quotations

Active Employees 55+: Work

Is dedication to your work or a commitment to your agency a factor that keeps you at work?

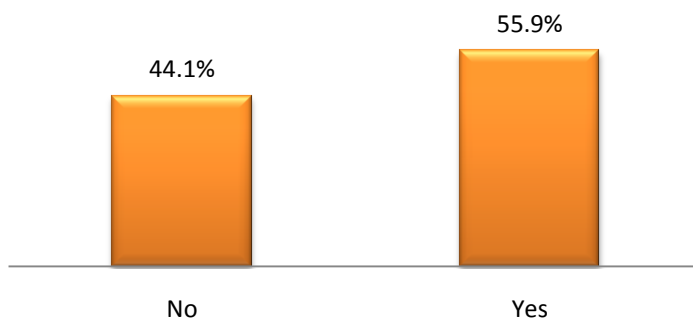
Employees were asked to rate their commitment to their agency or work as a factor that keeps them working and provide comments as to why these factors will or will not affect when they will retire.

Employee comments:

Yes (55.9%):

1. Enjoy my job and my co-workers
2. Enjoy serving the citizens of ND
3. Believe in the mission of my agency
4. My job is rewarding and challenging
5. Want to see the end of the projects I’m working on
6. Plan to work as long as I am healthy enough to work
7. Would like to help train my replacement(s)

Is dedication to your work or commitment to your agency a factor that keeps you at work?



No (44.1%):

1. Ready to control my time
2. Want to spend more time with family
3. Pressure and responsibility of supervisory position is starting to get to me
4. Dedicated to my work, but not enough to delay retirement
5. Primary reason to delay retirement is financial, not work related
6. Management not dedicated to older workers, doesn't communicate or respond to input
7. Never have felt valued by the state due to low wages
8. Overworked, when people retire those that are left get the work, hours are getting longer
9. Physical nature of the work is harder to handle as you get older

"I enjoy my work and all the duties it entails; especially working for and with the engineers and scientists whose professional attitudes in their work enhance our attitudes to always do well. Whether new incoming staff graduating from college or long-time employees we've worked with, everyone has a good work ethic and enjoys their job. I find it challenging and interesting to work with co-workers who have new ideas and are always finding ways to complete projects better."

"I have always taken a lot of personal pride in the job I do for the department. The gratitude expressed by the local community, city and county agencies for the service you provide for them, makes my job great. The ability to provide the services the department provides, especially during the winter months to keep the highways open and safe is quite rewarding."

"Yes, my personal commitment to my position and agency is important to me. But as I approach my retirement age, I am reminded every two years by legislators that state employee benefits are "negotiable". My commitment to the agency is becoming less of a factor. They seem to be trying to remind us that we are replaceable, at the same time as you are trying to figure out how to keep us in the work force."

"We need to work much harder on succession planning and knowledge transfer. We have many young, inexperienced staff. Few have the knowledge/skills to step into leadership roles or positions with greater responsibility."

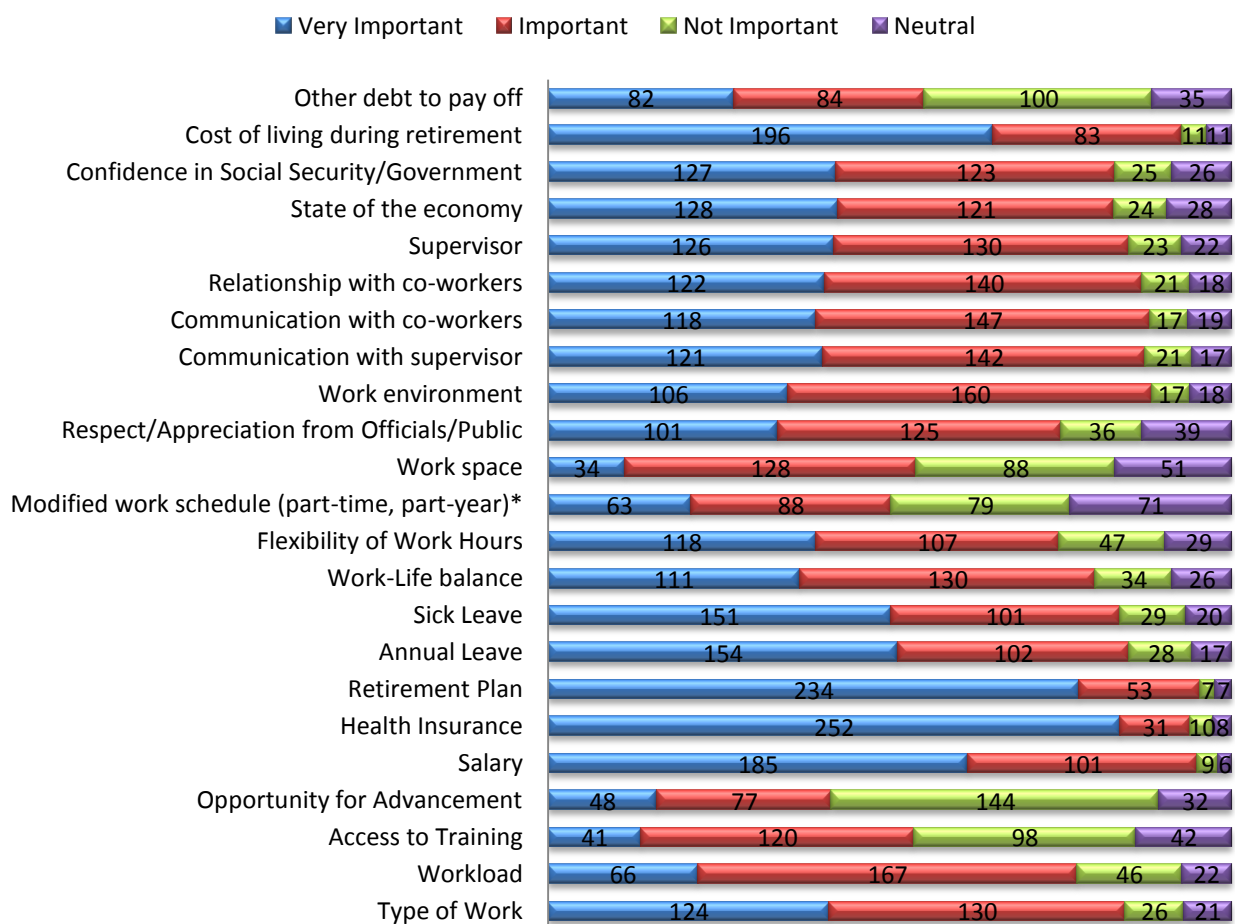
Employee Quotations

Active Employees 55+: Factors Leading to a Delayed Retirement

Please rate how the following factors impact your decision to remain working past retirement eligibility.

Several factors were presented to employees regarding their importance with respect to retirement. Employees were asked to rate them as “Very Important”, “Important”, “Not Important”, or “Neutral” and then provide comments as to whether they are positive or negative influences and why. The top five “Very Important” factors were *health insurance*, *retirement plan*, *cost of living during retirement*, *salary*, and *annual leave*.

Please rate how the following factors impact your decision to remain working past retirement eligibility.



*With no penalty to retirement benefits

There were a variety of employee comments as a result of this question.

Positive, very important factors that encourage people to continue working:

1. Enjoyable work environment
2. Flexible work hours, being able to flex hours to take care of children and now take care of parents
3. Annual leave and sick time are great benefits, more annual leave as you get older would be great
4. It is very important to be appreciated and have a supervisor you can work with
5. Interesting work to do
6. Appreciation and collaboration of co-workers
7. Positive and open communication with your manager
8. Work-life balance
9. Respect and appreciation for working hard
10. Access to training
11. Sick leave credit toward retirement is a great incentive
12. Making a difference in people's lives
13. Enjoy working with new technology
14. Excellent health insurance
15. Opportunity to work with dedicated professionals
16. Defined benefit plan, currently use this as a recruiting tool

Negative, very important factors that do not help employees achieve their retirement goals and/or cause employees to want to retire:

1. Body can't take the stress of working the older you get
2. Cost of living during retirement, retirement benefit doesn't pay enough to maintain lifestyle
3. Want to pay off other debt
4. State of the economy is a concern, seems like we can't keep up with cost of living and rising taxes
5. Public is not always appreciative or respectful of state workers
6. Elected officials are out of touch with average worker, not respectful of state employees
7. Spouse's health
8. Lack of advancement opportunities, lack of ability to advance because of degree requirements
9. Low salaries, lack of decent increases in pay. No reward for high production, no pay for performance. State has to pay competitively or we will never keep employees. Managers need to have latitude to pay their employees well. New hires seem to be making almost as much as seasoned employees.
10. Fear of retirement plans being viable for the long run
11. Unmanageable workload, lazy co-workers, getting dumped on when others retire
12. Lack of a decent work space, privacy, high noise, a lot of interruptions
13. Don't enjoy training new employees who then leave to pursue non-government work
14. Missed a lot of time with my kids having worked holidays and weekends often
15. More inclined to continue working if I could work part-time or part year

"Type of work is very important to me. I like my job and probably would not have stayed this long in a different job. The workload is both positive and negative. I feel I have to stay because of the tremendous workload, but that is also a big reason why I would like to retire. I receive a good salary and that definitely is a plus. The retirement plan is a plus for keeping me here because the longer I work, the more retirement income I can expect. Fear of detrimental changes to the retirement plan by the 2011 legislature makes me seriously consider retirement before 2011. Respect and appreciation from officials and the public are important to me."

"I really do like my job and do not feel so overwhelmed with my workload that it is not manageable. I am provided opportunities to increase my knowledge base through federal and state trainings. Our Division does provide opportunities for advancement. Salary, of course is important, and the recent pay raises have allowed me to not have to work an extra job on the weekend anymore. Paid health insurance and a retirement plan are extremely important to me, as I do hope to be able to retire in 10 years and be able to live comfortably with income from social security and my pension. The amount of annual leave and sick leave that can be earned are extremely valuable to me. I'm a nurse and do appreciate being able to work M-F with no holidays or weekends or shift work. Our Division is a great place to work, seeing the end result of insuring the people of ND are receiving quality health care. Working in State government for another 10 years will assist me in retiring comfortably with most of my debts paid off and the peace of mind knowing that I will be receiving a monthly pension."

"Communication is a must as I can't accomplish my job duties and serve the public community in a professional manner unless I'm informed what's going on and when. We have "manager meetings" and are kept informed of issues affecting our job duties."

"Workload is important. There used to be three employees working in my section, now I am the only one. It's very hectic at times, and to tell the truth, there are many days that I go home exhausted and just collapse on the couch. Work-life balance could be better!"

"All factors are positive at this point but there have been times in my career when my work environment and relationships with supervisors have not been positive. When you are in your 30s and 40s, it seems easier to deal with the negatives but when you get into your 60s, the negatives are more difficult to deal with and one is more likely to ask oneself, "How many good years do I have left, and is it worth it spending them here?"

"As long as I can meet living expenses, work-life balance, flexibility of hours, and modified work schedule would trump all others."

"One important negative is that there is little or no reward for high quality production. With wage compression, it makes it almost impossible to be fair to highly motivated professionals."

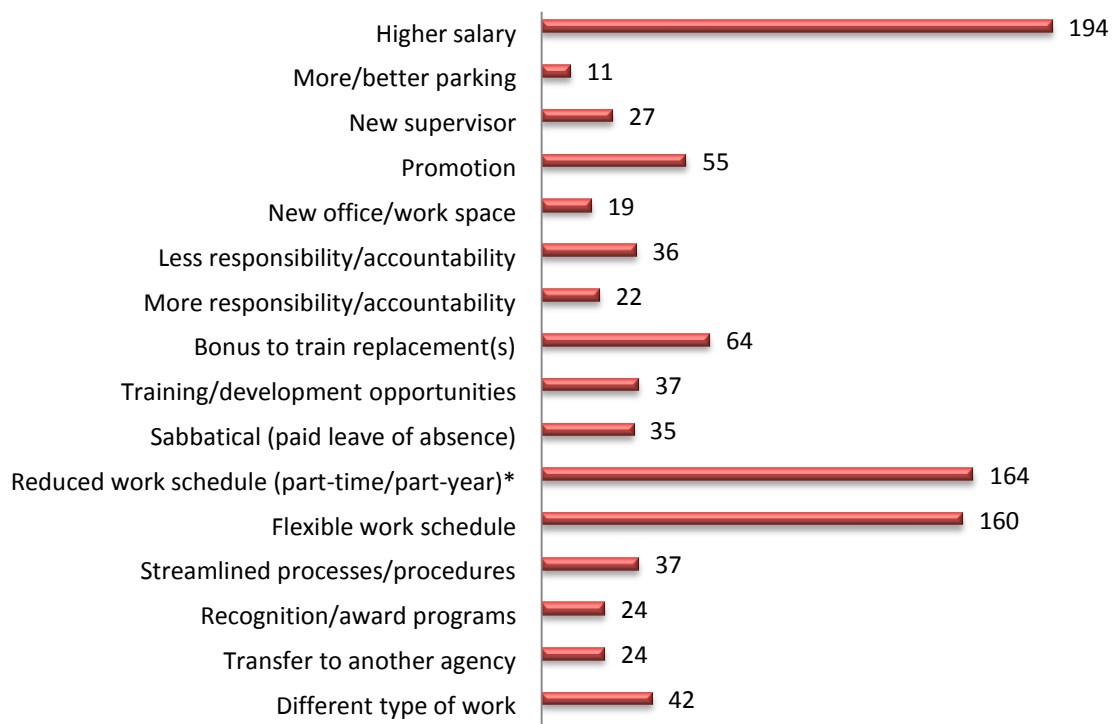
Employee Quotations

Active Employees 55+: Factors That May Entice Employees to Remain at Work

What other factors would entice you to continue working after you are eligible for retirement?

Employees were asked to rate a set of factors that may entice them to continue working. Three factors came out on top by large margins: *higher salary*, *reduced work schedule (part-time or part-year)*, and *flexible work schedule*.

What other factors would entice you to continue working after you are eligible for retirement? (Please select up to five factors.)



*With no penalty to retirement benefits

Employee comments:

1. State needs to provide equal pay for equal work, based solely on work performance
2. Flexible schedules allow employees to control their time
3. Would like to stay with the state but work less hours
4. Would like to take a lower position and stay to train my replacement and mentor others

Additional ideas from employees:

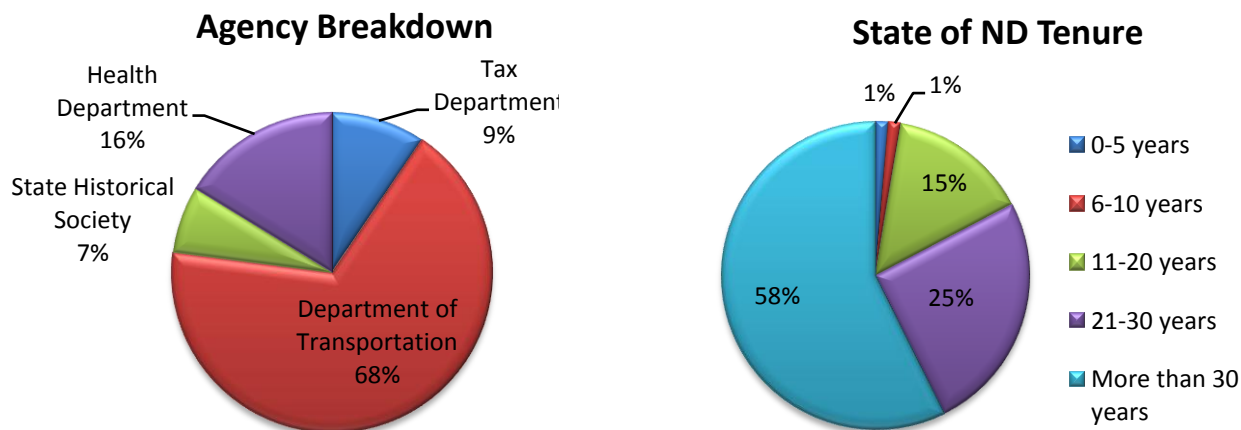
1. More opportunities to vary work, some exciting new projects to work on
2. Ability to step into a non-supervisory role my last few years before retirement
3. Allow for double filling a position until the new worker has received adequate training
4. Increase the retirement health insurance benefit as years of service increase
5. Increase the multiplier for the pension as years of service increase
6. If you work beyond the rule of 85, allow a large percentage of the health insurance benefit to be directly paid to the retiree at retirement or used for an insurance plan other than the PERS plan. Increase the percentage as more years are worked beyond the rule of 85
7. Increase vacation time above the current maximum for those working beyond the rule of 85
8. For those working beyond the rule of 85, allow some sick leave to be used for personal leave
9. For those working beyond the rule of 85, increase the amount paid for unused sick leave. Increase the percentage based on the number of years worked after the rule of 85
10. Pay more of the health insurance premium for retirees

"Higher salary is always a factor, but more so would be a promotion or recognition for a job well done. We should not have to wait until retirement to hear this from our supervisors."

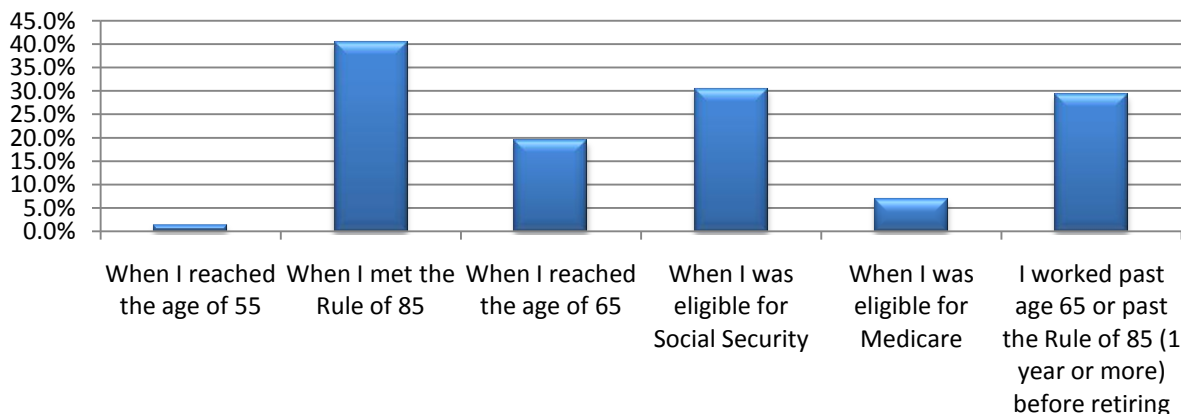
Employee Quotations

Retirees: Demographics

Individuals who have retired in the last five years from the four pilot agencies participated in a survey to capture their thoughts about when they retired, why they retired, and if the State could have done anything to keep them working longer. The following diagrams illustrate the demographic information about the retirees that completed the survey. Of the 207 retirees that received the survey, 78 responded (38%).



At what milestone(s), did you retire?

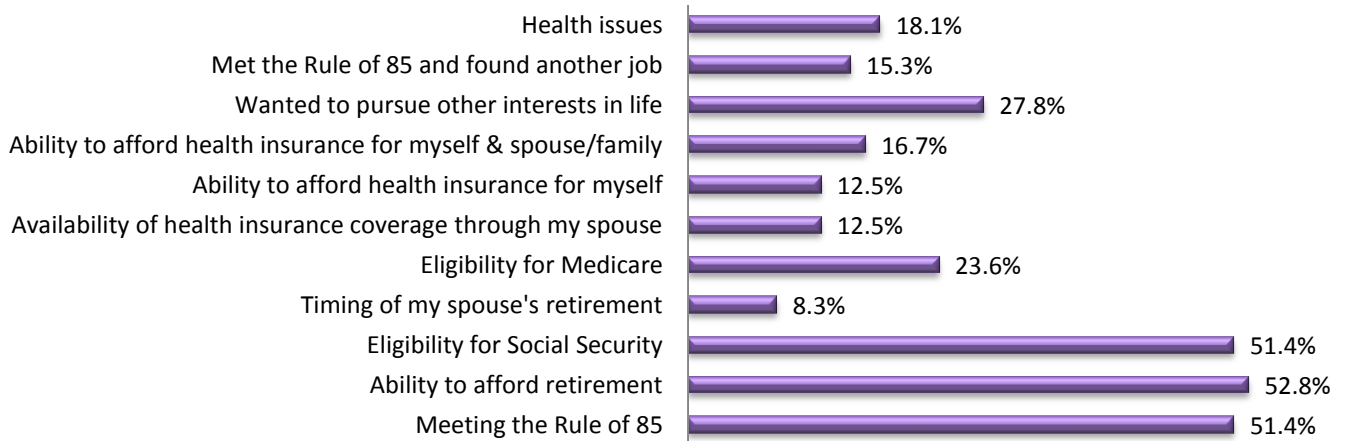


Retirees: Factors Affecting Retirement

Please check all the factors that affected your decision to retire when you did.

Retirees were asked to provide details on the factors that affected their decision to retire. The top three reasons by a large margin in comparison to the other factors were eligibility for Social Security, ability to afford retirement, and meeting the rule of 85.

**Please check all the factors that affected your decision
to retire when you did.**



Additional Reasons/Comments:

1. Health of oneself, spouse or other family member
2. Poor supervisor
3. Salary
 - a. Lack of decent salary increases
 - b. Make more money elsewhere
 - c. Make more drawing retirement benefits (state and/or social security) & working part-time or not working
 - d. At mercy of legislature for pay
 - e. Pay good performers for their performance instead of just across-the-board salary increases
4. Unmanageable work load, high stress levels
5. Little respect for older workers/long-time employees
6. Retired at the same time as my spouse
7. Wanted to do other things in life
8. Opportunity to advance was limited due to lack of degree
9. Little respect/appreciation from legislature for state employees
10. Distracting office environment
11. Keeping up with technology grew harder and harder, little training offered
12. Time to let younger workers take over

"The primary reason I left my job at the state was money. I had an opportunity to go to work in the private sector for a job that paid significantly more than I was making at the state after 35 years of service, and with far less responsibilities. Since I had received no salary adjustment for more than three years, and the prospects for a salary increase in the near future were unknown, it seemed like a "no-brainer" to make the move to a new job."

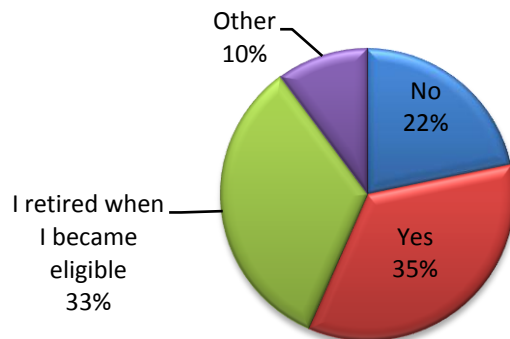
Retiree Quotation

Retirees: Work

If you worked past the time you were eligible for retirement, was dedication to your work or a commitment to your agency a factor that kept you at work?

Similar to the active employees, retirees were asked to rate their commitment to their agency or work as a factor that kept them working past retirement (if at all) and provide comments as to why or why not these factors affected when they retired. One third of employees retired when they were eligible and a little over a third responded that dedication to their work/agency kept them at work longer.

If you worked past the time you were eligible for retirement, was dedication to your work or a commitment to your agency a factor that kept you at work?



Retiree comments:

Yes (35%):

1. Believed in the programs of the agency and enjoyed serving the people of ND
2. Enjoyed co-workers
3. Enjoyed my work

No (22%):

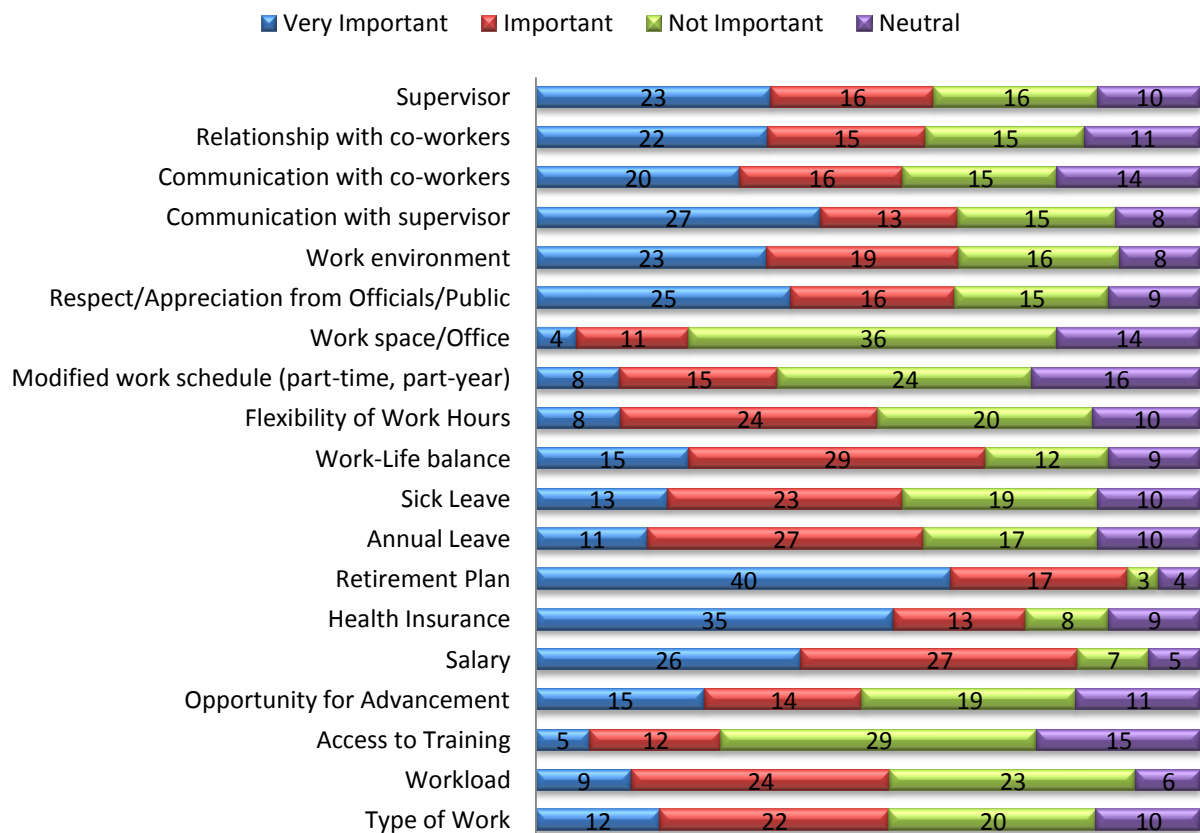
1. Stayed working at the State because of the benefits and retirement program
2. I began to feel that I was assigned only those tasks that were tedious, that no one else would do
3. Bad work environment
4. Poor management

Retirees: Importance of Work Factors in Your Decision to Retire

How important were these factors in your decision to retire?

Retirees were asked to rate several factors and their corresponding importance with respect to their decision to retire. Retirees were asked to rate them as “Very Important”, “Important”, “Not Important”, or “Neutral” and then provide comments as to whether they were positive or negative influences and why. The top five “Very Important” factors were *retirement plan*, *health insurance*, *communication with supervisor*, *salary*, and *respect/appreciation from officials/public*. Active employees rated their top five factors as *health insurance*, *retirement plan*, *cost of living during retirement*, *salary*, and *annual leave*.

How important were these factors in your decision to retire?



Positive, very important factors that encouraged people to continue working:

1. Good relationship with co-workers
2. Great benefits
3. Loved the work

Negative, very important factors that encouraged people to retire:

1. Making more drawing pension and social security than my working salary
2. Tired of living for the weekends, wanted to control my time
3. Lack of advancement
4. Poor supervisor
5. Lack of work-life balance, workload and work hours were just too much
6. Low salary
7. Hard to keep up on technology
8. Not treated the same as the younger workers
9. No pay for performance
10. Loud office environment, couldn't concentrate on work

"I was able to double my salary by taking a job with the department of health in another state. The type of work was the same."

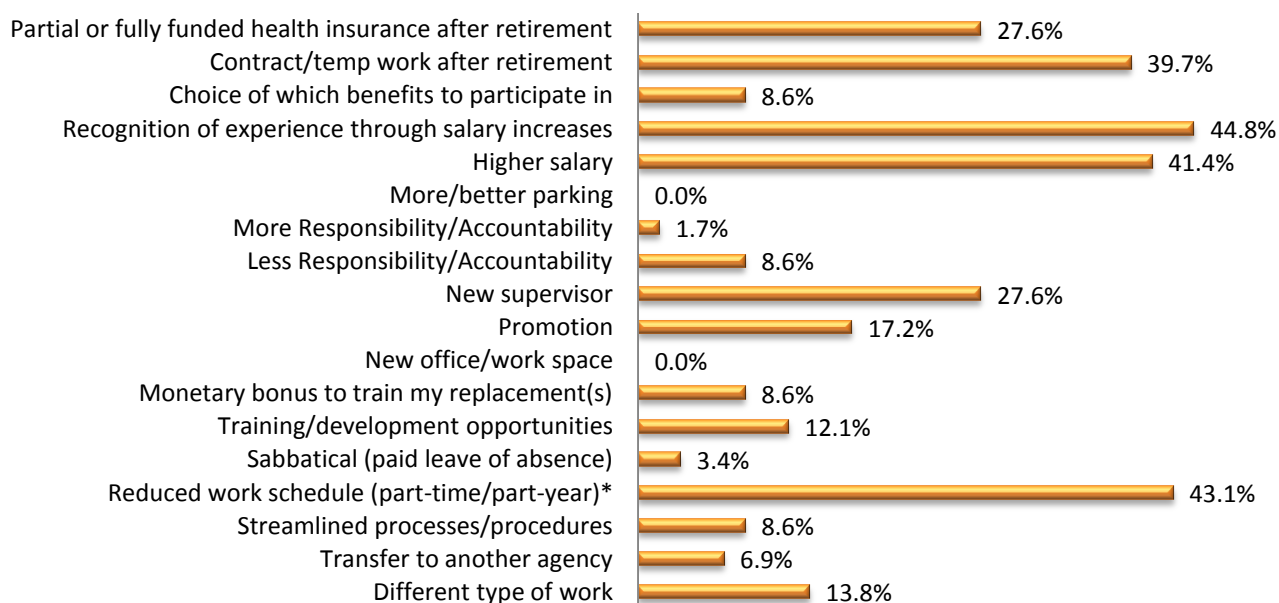
Retiree Quotation

Retirees: Factors That May Have Delayed Retirement

What could the State have done to delay your retirement or entice you to continue working?

Retirees were asked to select factors that would have enticed them to continue working. The three highest factors in a similar question of active employees was: higher salary, reduced work schedule (part-time or part-year), and flexible work schedule. The top three factors for retirees were *recognition of experience through salary increases, reduced work schedule (part-time or part-year without penalty to retirement benefits, and higher salary.*

What could the State have done to delay your retirement or entice you to continue working?



*With no penalty to retirement benefits

Additional Ideas/Comments:

1. More flexible work arrangements without affecting retirement benefits including flex hours, work from home, part-time work, and job sharing
2. Just wanted to do other things in life
3. Better office environment – quieter to concentrate and do work
4. Don't micromanage people
5. More appreciation and credit for the work our division did from both internal and external sources
6. Recognition of prior work experience through salary
7. Dual advancement ladders – management and technical

Retirees: Back to Work

Would you be willing to come back to work for the State of ND?

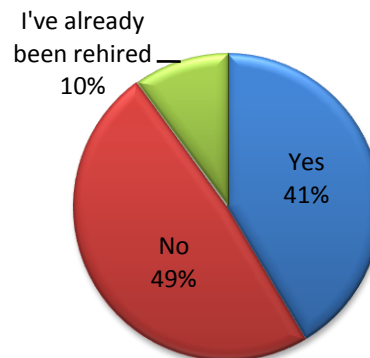
Retirees were asked if they would be willing to come back to work for the state after retirement and to comment on why or why not they would. Forty-one percent would be willing to come back and ten percent have already come back, forty-nine percent indicated they would not.

Retiree comments:

No, I would not come back (49%):

1. Consulting work is more rewarding
2. If you're retired, stay retired and give the younger workers jobs
3. Life is too short, love retirement, love control of my time
4. Found better employment, higher hourly rate and more relaxed work environment
5. Would look at private sector first
6. Health problems
7. Like my job but not the way I was treated

Would you be willing to come back to work for the State of ND?



Yes, I would come back (41%):

1. On a part-time, job-sharing or temporary basis without losing retirement benefits
2. If communication in the department was improved
3. Would gladly come back

4. If legislators and other leaders appreciated and compensated state employees better

"I would only consider coming back if there was a significant shift in the way legislators and other state government leaders look at and compensate public employees."

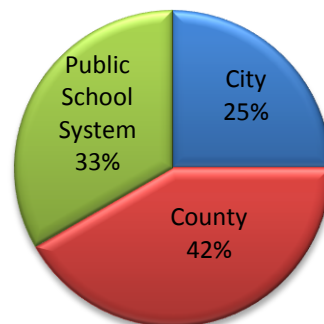
Retiree Quotation

Other Public Employers: Demographics

A variety of cities, counties and schools were also surveyed in North Dakota in an attempt to uncover what other public employers are doing to retain retiree-eligible workers. Forty entities were surveyed from large cities (10,000+ people), medium cities (2,000+ people), and small cities (< 2,000 people). The corresponding counties and public schools for those cities were also surveyed. The cities included: Fargo, Bismarck, Grand Forks, Minot, Williston, Wahpeton, Valley City, Rugby, Beulah, Oakes, Park River, Beach and Crosby.

The pie chart indicates the percentage response from each of the three entities.

Type of Employer



Other Public Employers: Retention of Employees

Do you want to retain employees in your organization after they are eligible to retire?

Employer comments:

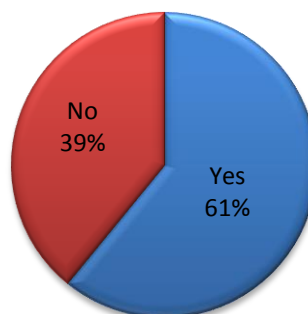
Yes (61%):

1. Want to retain anyone that is a productive worker
2. They are able to share years of experience and institutional knowledge with less experienced staff
3. They provide valuable leadership and perspective

No (39%):

1. Do not want to keep those that only stay for the money or health insurance, their attitude sometimes shows this
2. Speed of work declines
3. It's difficult to keep them interested in the position after they don't have to be there
4. Paying higher salaries to more experienced workers
5. Increase in unfunded liabilities for unused sick and vacation time

Do you want to retain employees in your organization after they are eligible to retire?



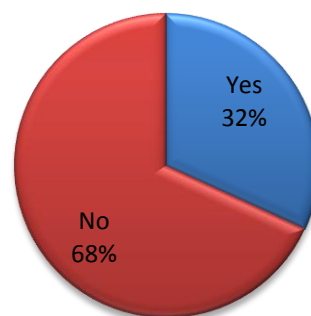
Other Public Employers: Succession Plans

Do you have succession plans in place or have you adopted other methods to transition knowledge and skills to younger employees?

Programs include:

1. Mentoring program for new teachers
2. Cross-training program to train in co-worker's positions to cover during vacations and after retirements.

Do you have succession plans in place or have you adopted other methods to transition knowledge and skills to younger employees?



Other Public Employers: Concerns

What do you believe are the top concerns for your employees as they near retirement?

Managers reported their top concerns for their employees as:

1. Enough money/adequate retirement benefits (85%)
2. Health insurance (80%)
3. Leaving the structure of the work environment/social part of work (35%)

Other Public Employers: Programs & Incentives

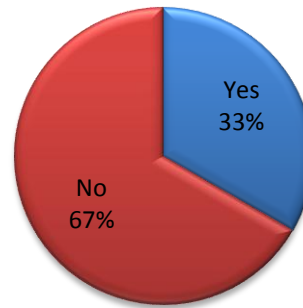
Have you implemented any programs or offered any incentives to keep employees working longer or to return them to work after retirement?

Sixty-seven percent answered *No* and thirty-three percent answered *Yes*. Programs utilized include:

1. Step salary structure with an automatic increase every year worked
2. Amendment to our defined benefit plan to allow retirees to work up to 1,000 hours per calendar year with the same salary they were earning right before retirement.

3. We have hired back retirees. They have had to opt out of the retirement system while they work for us.
4. Pay teachers an experience payment beginning at their 25th year; this replaced an early retirement incentive payment.

Have you implemented any programs or offered any incentives to keep employees working longer or to return them to work after retirement?



CSCA 10 States: Demographics

North Dakota is a member of the Central States Compensation Association (CSCA). The association's purpose is to generate salary surveys that can be utilized by the states for compensation planning purposes. The association's goal is to reduce the number of individual surveys exchanged among the states on an annual basis by conducting one annual salary survey. Another goal of CSCA is to improve the validity of job matches and accuracy of data in the salary surveys. Several states are members of CSCA but North Dakota uses data from ten states as a benchmark: South Dakota, Montana, Minnesota, Nebraska, Kansas, Iowa, Missouri, Colorado, Oklahoma, and Wyoming.

For this study, the CSCA ten state partners were asked questions regarding their state's efforts in retaining retirement-eligible workers and developing succession planning programs. Eight of the ten states responded.

CSCA 10 States: Retention of Employees

Do you want to retain employees after they are eligible to retire?

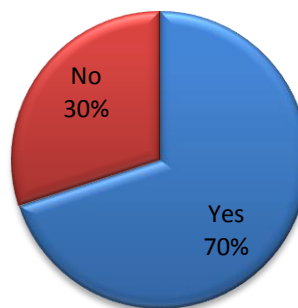
Yes (70%):

1. Want to keep older workers for depth of organizational & program knowledge, reliability, maturity, etc.
2. Want older workers for mentoring, worried about knowledge transfer to younger workers
3. To keep employees, need to be able to offer flexible work schedules to bring employees back to work after retirement

No (30%):

1. Maintaining older workers limits promotional opportunities for younger workers
2. If employees retire under special retirement incentives, they are ineligible for rehire. If employees take regular retirement, they can reapply but hiring retirees back is not promoted.

Do you want to retain employees after they are eligible to retire?



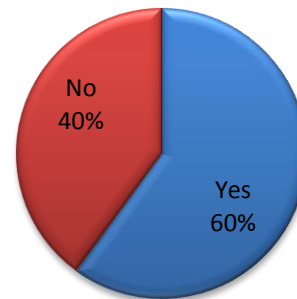
CSCA 10 States: Succession Plans

Do you have succession plans in place or have you adopted other methods to transition knowledge and skills to younger employees?

Sixty percent answered *Yes* and forty percent answered *No*. Programs mentioned include:

1. Individual agencies have started succession planning programs in a few states.
2. South Dakota is the only state with a centralized succession planning program. As part of this, they have a Leadership Development Program which is a 15 month graduate-level program in partnership with the University of South Dakota. The purpose of the program is to develop younger workers for leadership positions. Employees are nominated for the program and approved by the Chief of Staff.
3. Colorado tried to implement a state-wide program but the position that managed it was eliminated due to budget cuts. Colorado has now switched its focus from retention to recruitment. The goal is to attract new employees with a total rewards mix that will appeal to all generations of workers.
4. Montana recently organized a task force to establish succession planning as a statewide initiative.

Do you have succession plans in place or have you adopted other methods to transition knowledge and skills to younger employees?



CSCA 10 States: Programs & Incentives

Have you implemented any programs or offered any incentives to keep employees working longer or to return them to work after retirement?

Sixty percent answered *No* and forty percent answered *Yes*. Programs include:

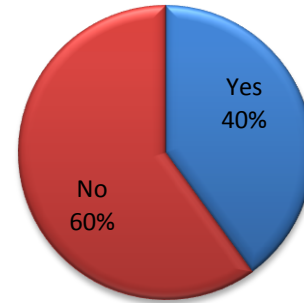
1. Minnesota has a post-retirement option (PRO) for bringing retirees back to work. Employees under the age of 62 may come back to work 30 days after they retire and employees 62 and older may come back one calendar day after retirement. Total PRO employment cannot exceed five years. Positions are appointed, unclassified, part-time temporary positions. Employees are eligible to receive a contribution towards health insurance but are not eligible to receive contributions to the state retirement plan during PRO employment. Retirement earnings remain in place with no

reductions while employed in a PRO position. More information can be found here:

<http://www.mmb.state.mn.us/doc/persl/1408.pdf>

2. Colorado rehires retirees into six month maximum, temporary positions.
3. Montana allows retirees to return to work for less than 920 hours per year and maintain retirement benefits.
4. South Dakota's law is changing July 1, 2010 to discourage employees from returning to work by imposing retirement benefits cuts if they do.

Have you implemented any programs or offered any incentives to keep employees working longer or to return them to work after retirement?



CSCA 10 States: Top Concerns

What do you believe are the top concerns for your employees as they near retirement?

Four states answered *health insurance* as the number one concern their employees have and the other four states answered *having enough retirement income* as the number one concern.

All states listed *enough income to live on* in their top five concerns. Seven of the nine states listed *health insurance* in their top five concerns. Five listed state of the *economy/cost of living/retirement plan viability* in their top five concerns.

Survey Analysis/Themes

Retirees and active employees noted several of the same issues regarding ability to retire. Retirement benefits and meeting the Rule of 85 are very important to state employees. Ability to afford health insurance, Medicare eligibility, and the desire to control their time are other important influencing factors. Several employees and retirees stated they served their agency as long as they could and were ready to move on. Below shows a chart comparing the top five very important factors for active employees and retirees:

<u>Retirees</u>	<u>Active Employees</u>
1. Retirement Plan	1. Health Insurance
2. Health Insurance	2. Retirement Plan
3. Communication w/Supervisor	3. Cost of living during retirement
4. Salary	4. Salary
5. Respect/Appreciation from Officials/Public	5. Annual Leave

Retirement Benefits

Overall, the ability to make a living during retirement is the driving factor in determining when to retire. Employees and retirees all indicated the importance of meeting the rule of 85 to maximize the NDPERS retirement benefit, waiting for Social Security eligibility, saving more money, paying off debt, and the health of personal investments as leading factors in determining when they will retire. These elements are essentially how retirees make a living during their years of retirement and are obviously very important. Many current employees expressed concern about possible changes to the NDPERS retirement plan during the next legislative session indicating any reduction in benefits would likely cause them to retire sooner than they had planned in order to maintain their benefits at the current level.

Health Insurance

Because of the rising costs of health care and the uncertainty of healthcare reform at the federal level, active employees are planning to pay for their own health insurance premiums or attempting to retire at a point when they can utilize COBRA and/or enroll in Medicare. As a result, seventy-six percent of active employees indicated the cost of health insurance is a factor that keeps them from retiring. Retirees noted eligibility for Medicare, coverage through a spouse or the ability to pay for health insurance out of pocket as significant factors in determining when they retired.

Dedication to Work

Employees and retirees indicated a dedication to their agency's mission, co-workers, and/or the citizens of North Dakota as strong factors that kept them at work. It was very clear in the survey responses the pride North Dakota employees and retirees have or had in their work. Some alluded to their co-workers as their second family. Many commented that they truly enjoy their work and want to continue working as long as their health allows. A smaller number of employees indicated they are ready to

retire and pursue other interests in life. Also mentioned was the desire to do something different, either in the same agency or in a different agency. Many active employees indicated they enjoy their work but would like to vary their responsibilities periodically to keep things interesting such as taking on different tasks or becoming involved in a new project. Employees and retirees also noted that a positive relationship with supervisors and co-workers really enhances the work environment and contributes to an all-around great work experience.

Work-Life Balance

Comments regarding work-life balance were very prominent throughout both the retiree and active employee surveys. Both groups focused a lot on the ability to manage both work and personal lives with specific comments focusing on flexible work schedules and manageable workloads and stress levels. Some also commented that workloads have become increasingly higher over the years as agencies haven't been able to replace those that retire. The workload of the retirees is simply redistributed to those that are left. This has had a negative impact on employee morale.

Several retirees stated that if they would have had the opportunity to phase out of their positions by working part-time or part-year without affecting their retirement benefits, they would have remained at work longer. Several current employees also mentioned this as an option they are thinking about but are not sure if it is available to them. Retirees also mentioned the option of staying at work in a non-management position for the last few years of retirement. The stress of managing people and programs simply got the best of them as they got older and caused them to retire.

Salary

Employees and retirees feel very strongly about the salaries they are being paid for the work they do. Many retirees commented that the State needs to pay for performance. It would have been more expected to hear those with the most seniority suggest they should be making the most money simply because of their tenure. Contrarily, many retirees and active employees supported pay for performance saying that no matter how much or how little work you do at the State you receive the same pay increase which is not the most effective method for determining salary increases and enhancing productivity and efficiency. Active employees commented that it seems as if the new hires are earning almost as much as they are after many years of service and they would like to see more work done to resolve the pay compression issues. There was a strong message in both surveys that legislators really do not understand the work and responsibilities state employees have and consequently State employees feel a lack of respect. Employees feel they have little ability to influence their pay because as several employees indicated, they are at the mercy of the legislature. Employees also indicated that they would simply like to be recognized on a regular basis for the work they do by their managers and by elected officials.

Other Public Employers and CSCA 10 States

The public employers and CSCA 10 states surveys mimicked the information received from active employees and retirees. The major factors affecting their employees' ability to retire are also

retirement benefits/enough money to live on and health insurance. All entities are worried about knowledge transfer but few have put formal succession planning programs in place simply due to a lack of resources, not due to a lack of desire. It was clear in these surveys that managers want to keep employees that are still productive to maintain their institutional knowledge. Employers have noticed a drop in interest and efficiency in those that have stayed well beyond retirement and are concerned they have some employees that are simply staying for the money or health insurance. Part-time work arrangements seem to be very popular with these groups of employers as well with almost all indicating they have been able to create part-time work arrangements either by working around the roadblocks they face or implementing a formal program that promotes this type of work arrangement such as Minnesota's Post-Retirement Option program. South Dakota is the only state that passed legislation discouraging agencies from bringing retirees back. Overall, the message from other public employers is that they value the depth of knowledge of their older workers and would like to be able to do more to help them ease into retirement and pass on their knowledge to the younger workers.

Executive Interview Themes/Recommendations

HRMS interviewed agency leaders from the four pilot agencies to discuss their thoughts on employee retention, perceived and real barriers to retirement and succession planning. All agencies indicated they would like to keep employees past retirement as long as they are still productive employees. The institutional knowledge held by employees that have been with the agencies for a number of years is extremely valuable. One agency noted however that “if you were competent at your job and come back, the skills needed to succeed in the agency may be different the second time around.” Some agencies such as Historical Society went through a single burst of hiring and then didn’t hire again for several years. This has created gaps in knowledge and availability of the next generation of leaders. Many ideas were discussed that may help agencies keep employees past retirement eligibility and aid in recruitment and knowledge transfer to younger employees. The ideas largely centered on the need for higher salaries, flexibility with schedules and FTE count, building career paths within the State for individuals, and maintaining a strong benefits package.

All agencies talked about their challenges with salaries. The overall theme of the discussion was that there needs to be more flexibility with respect to salary administration and FTE count. For example, to properly transfer agency knowledge and train new staff, agency leaders expressed an interest in hiring two people in the same position for a period of time to allow the older worker to train the new employee. “Right now, we have to let the employee retire, hire the new person and bring the retiree back as a temp.” A better solution may be to have them both work full or half time for a pre-established period of time and provide health insurance for both until the older employee retires.

Agencies are finding themselves in need of more salary dollars to hire replacements as they tend to require higher salaries than those that have been with the agencies for a number of years. This solves one problem but creates another; pay compression is an issue right now. The salaries for those that have been with the State are not markedly higher than those of employees just joining state government. Agencies expressed the need for more flexibility with salary dollars to be able to compensate more experienced employees for staying with the State. One official commented, “Salaries are the last item in the budget and legislative process. What message does that send to staff?”

The agencies also expressed concern about being realistic with respect to where the State is losing employees and comparing ourselves to those markets to be sure our pay is competitive. Comments centered on losing employees to the private sector, counties/cities, and other state agencies that are more properly funded and can offer higher salaries. “Lack of a compensation philosophy within the State of ND is an issue. Uncertainty of raises drives people away.”

Succession planning is something all agencies expressed interest in, with some agencies working on programs and others not having any time or resources to even begin. One agency started hiring student interns and found that long term staff really understood the need for mentoring and knowledge transfer after working with the younger employees. The younger employees even taught the older workers some new things too, especially with technology. There still remains a solid need for more formal succession planning and leadership development. In addition, the multiple generations need to learn to

work together. “New workers are frustrated with bureaucracy and how slowly things move in government. New staff is very capable and has improved a lot over the years.” When working with older employees, the younger employees realize there’s more to the job than just knowing the technical aspects. “Knowing who to go to is part of the job too that older workers know, either inside government or private companies. How state government works take time to learn.” Leadership training is also important for staff of all ages. With exposure to new ideas, “you can change beliefs and values to move the organization along, to create change”.

Flexibility with work hours has been a great retention tool of employees of all ages. Agencies would like to do more, especially as employees near retirement. The agencies had several ideas such as compressed work weeks or four 10-hour days, providing summers off to snow plow drivers, phased retirement or part-time work the last few years before retirement, sabbaticals to allow employees to pursue graduate degrees or other interests, and work time to pursue degrees directly related to the agency mission. One executive commented that continuing education is critical to fulfilling the agency’s mission. Many employees are extremely dedicated and the agency would like to grow and mentor these employees into experts in their fields. “Attitudes are better if people can pursue opportunities like this plus with additional education, new ideas are developed.” Flexibility was mentioned extensively by employees in the Active Employees 55+ survey. Agency leadership and staff recognize the importance of allowing employees some latitude in determining their work hours and everyone agreed if state agencies could do more, employees would work longer. A part-time schedule/phased retirement approach was mentioned over and over by active employees, retirees, and agency leaders as a viable option in maintaining people in their careers longer.

In addition to flexible work schedules, there was discussion about flexibility to transfer between state agencies during the course of an individual’s career. One director said, “There is limited opportunity for people to move around.” Another said, “Let employees go from agency to agency. An employee may be able to offer different agencies new skills.” Employees currently transfer between state agencies but the process may need to be amended to make it easier including redefining the internal posting process, removing the requirement to pay back the original employing agency for tuition reimbursement if the employee stays working within the State, and encouraging managers to support employee goals to gain a variety of work experience. It is true the original hiring agency spent time and resources training an employee and doesn’t necessarily want to let that person go, but a transfer within the State still keeps that employee employed and productive within the state system. Happy employees are more productive and better for an agency in the long run. Ability to transfer more easily could be a powerful retention tool if employees are provided the opportunity and choice to work at over fifty agencies during the course of their career and take their benefits and seniority with them every time they make a move.

Ultimately, agency leaders felt that the biggest factors for employees being able to retire are ability to afford health insurance and the defined benefit retirement program. All agencies indicated that their employees are very nervous about the upcoming legislative session and all the discussion about possibly changing or eliminating the defined benefit retirement program. One agency leader said if the legislature makes changes that negatively impact employees, “May and June of next year will all be

retirement parties.” Many ideas were discussed such as increasing the retirement rider to provide cost of living increases during retirement, not increasing deductibles on health insurance, continuing to pay the employee contribution to the retirement plan, and enhancing the benefits package by paying for dental and eye care programs.

The interviews also uncovered a lack of knowledge regarding what agency leaders could do immediately to maintain employees near retirement. Employees may have more options available to them if the employees and their managers understood what is currently available. A couple agency leaders did not fully understand the implications of hiring someone back from retirement. Would it affect their retirement benefits, for example? How is the position classified? Does it have to be a temporary role and for how long can a person fill a temporary position? More education is needed for agency management and human resources professionals to understand and utilize the options that are currently available.

Agencies expressed concern that the “lean and mean” mentality the North Dakota legislature has taken is causing their employees to be overworked and is not allowing for proper knowledge transfer to younger employees. There has to be a better balance. All agencies expressed concern about the quality of services they will be able to provide going forward if steps aren’t taken to implement proper succession planning programs.

Overall, all agencies expressed how proud their employees are of their work and how hard their employees work. People stay in State employment because of dedication to the people of North Dakota. They believe in the mission of their agency. The low salaries are offset by the benefits package and the flexibility in work hours and work/life balance many agencies are able to offer their employees. Low salaries really become an issue as a person nears retirement and the gap is magnified as new employees are hired at rates close to those with extensive experience. One message is clear, if the legislature weakens the retirement plan or any other aspect of the benefits offerings, the total compensation or total rewards package will drop in value dramatically, further reducing the agencies’ ability to recruit and retain qualified employees.

Review of the Literature

A review of the literature provides some interesting statistics and observations about the workplace similar to the findings of this study. For example, the Pew Research Center's September 2009 Report, "Recession Turns a Graying Office Grayer", cites that the most popular reasons adults over 65 say they work are:

- To feel useful/productive 68%
- To live independently 59%
- To give self something to do 57%
- To be with other people 56%

Rebecca Ryan, consultant at Next Generation Consulting, says that aging workers (Boomers) prioritize the importance of feeling connected to their work while younger employees favor development opportunities and life-work balance over pay.

With that in mind, good suggestions for employers to consider are:

- Part-time Partners
- Allow older workers to mentor up-and-comers while stepping away from the decision making table
- Allow innovative work arrangements (flex schedules/time)
- Engineer arrangements that allow all generations to get what they need from work

It is also apparent through the review of literature that many US workers are planning to work longer. According to Watson Wyatt:

- One-third of all US workers have increased their planned retirement ages since February 2008.
- 44% of those ages 50+ plan to delay retirement.
- The average planned retirement age for all employees is 65, and half of those 50+ plan to retire at 66 or later.
- 76% of 50-64 year olds cited decline in 401K accounts as the most important reason for planning to postpone retirement- followed by high cost of health care and higher prices for basic necessities. Within this group, 54% said they would plan to work at least 3 years longer than previously expected.

Employee Benefit Research Institute in their March 2010 Brief also reported that "many workers are adjusting some of their expectations about retirement...twenty-eight percent of workers in the 2010 Retirement Confidence Survey (RCS) say the age at which they expect to retire has changed in the past year. Of those, the vast majority (87 percent) reported that their expected retirement age has increased. This means that 24 percent of all workers planned to postpone their retirement in 2010."

“Among the reasons given for the change by workers postponing retirement in the 2010 RCS are:

- The poor economy (29 percent).
- A change in employment situation (22 percent).
- Inadequate finances or can’t afford to retire (16 percent).
- The need to make up for losses in the stock market (12 percent).
- Lack of faith in Social Security or government (7 percent).
- The cost of living in retirement will be higher than expected (7 percent).
- Needing to pay current expenses first (6 percent).
- Wanting to make sure they have enough money to retire comfortably (6 percent).”

At the same time, 8 percent of workers changing their retirement age in the past year (2 percent of all workers) report they will retire sooner than they had planned, primarily due to poor health or disability.”

The Recruitment and Retention Taskforce Federation of Public employees/American Federation of Teachers (AFT) examined the aging population in government and reviewed what government employers are doing to attract and retain quality public service employees. The report entitled, “The Quiet Crisis Recruitment and Retention in the Public Sector”, stated that “over the next 15 years, government employers face a crisis in recruiting and retaining quality employees. They said that two-fifths of state and local government employees will be eligible to retire over this period and, for the most part, employers have not addressed adequately how to replace these workers. Additionally, some public sector employees have watched their pay and benefits become less competitive and have chosen to leave the public sector for more lucrative positions in the private sector. Both of these scenarios are troubling. How will we continue to provide quality public services if we cannot attract quality employees to the public sector?”

The report went on to say “the public sector is adversely affected by the impending loss of knowledge workers. Knowledge workers can be defined as anyone who works for a living using knowledge and information. For example, a knowledge worker might be someone who works at any of the tasks of planning, acquiring, searching, analyzing, organizing, storing, programming, distributing, marketing, or otherwise contributing to the transformation and use of information and those who work at using the knowledge so produced. Fifty percent of government jobs are in occupations that can be categorized as knowledge workers, those requiring specialized training, education or job skills. Twenty-nine percent of all private sector jobs are categorized this way.”

In the North Dakota general Workforce:

- 84% of workers have completed high school
- 22% have bachelor’s degrees or beyond

In the classified workforce of ND State Government:

- 99% have completed high school
- 84% have formal education or trade school beyond high school
- 54% have a bachelor's degree or beyond

According to this study, the AFT taskforce found that nationwide, the number of employees in the 50-59 year old category is rising and those under 30 are decreasing at a faster rate. They said, "We are seeing a rapid loss of government employees for the near future as more employees retire and fewer young people are hired. The retirement and advancing age of the Baby Boom generation will also cause a growth in demand for public service thereby requiring additional employees. At a time when our employees are retiring faster than ever, the need for certain government functions will be increased. (See Segal Company Special Report: The Aging of Aquarius: The Baby Boom Generation Matures February 2001)

While many public employees will leave due to retirement in the next fifteen years, a significant number of employees will leave because of inadequate pay. As public employers experiment with new pay schemes and employees see colleagues in the private sector advance at faster rates, fewer public employees are willing to remain in the public sector."

The study also examined the four generations of workers who are working side by side: Traditionalists born 1945 or earlier; Baby Boomers born 1946-1964; Generation X born 1965-1979; and Generation Y born 1980 or later. To find creative ways to attract and retain employees it is necessary to understand what different people desire in their working lives. The report also states that it is important to understand demographics and the key generational differences in work style so that in designing an effective recruitment and retention plan those differences can be taken into consideration.

"Each generation has faced a different set of circumstances both in their upbringing and in their working world. Traditionalists often view work from the scope of seniority-if you wait in line it will be your turn someday and you will get a promotion, an office, a chance to travel whatever the case may be. Baby Boomers have the understanding that stress is necessary in their lives, that teamwork gets things done and the more work that you do, the better off you will be in your work life. They feel that they made it and they've earned respect from their subordinates. Generation X seeks job security and close supervision to achieve goals. They seek recognition from their supervisor. They are less likely to ignore the work and life balance. Generation Y is independent and doesn't believe in seniority or job security."

This report suggests that to attract and retain younger workers, the public service must:

- Vary assignments
- Teach new skills and provide ongoing career development
- Coach and mentor
- Keep them "in the loop" with information
- Provide instant feedback
- Reduce hierarchy

- Tie praise for a job well done to a concrete reward

In order to attract and retain older workers, the report said that the public sector needs to analyze human resource policies to insure that they do not discourage recruitment of older workers or encourage older workers to leave. Examples cited were policies that push early retirement, providing benefits only to full-time employees and offering no flexibility in benefits or hours of work. The following suggestions were cited to attract older workers:

- Develop flexible work options, such as part-time positions, job sharing, reduced hours with reduced pay, flextime and phased retirement
- Invest in training, retraining, career development and reward systems suitable for workers of all ages
- Redesign work space with brighter lighting and ergonomic workstations
- Offer flexible benefits
- Implement eldercare and home care assistance programs
- Provide retirement education

This study made a very interesting observation that: “there are three notable differences between the Baby Boomers and the Gen Xers. Gen Xers are marrying earlier and having children earlier than the Boomers did. For this generation, reasonable family health insurance and child care programs may be more attractive to younger employees than they were in the generation before them. Younger workers (Gen X and Gen Y) are starting earlier to save for retirement, which may indicate that pension planning classes and a strong pension are more attractive to these employees than once thought. Lastly, Generation X and Y employees are more racially diverse than the Baby Boomers. Younger workers seek a work environment that reflects their reality and must mirror their diverse upbringing.

The study said that, “employees of all ages have particular expectations from the workplace. In order for the public sector to become an employer of choice, it must recognize the different needs of the generations and appeal to all of the workers, striking a generational balance that eliminates the potential for conflict.”

This study also examined a number of recruitment and retention strategies (please note that North Dakota agencies currently practice those in “bold”): namely, monetary such as **Regional Differential of Salary, Hiring or Sign –On bonus, Referral Bonus, Internships**, Loan forgiveness, Home Loans, Traineeships, **Training existing employees, Moving expenses**, and Parking expenses. The report also examined non-monetary recruitment tools such as: Easing the application/hiring process, **Mentoring, Flextime and nonstandard work weeks, College recruitment, Business Casual Workday, Telecommuting.**

Retention strategies mentioned in the report are: Retraining for employees already working, **Retention bonus**, Child Care Stipend, Emergency Child Care Centers, Voluntary reduction in days, Spot Bonuses, Cafeteria Benefit Plans. Non-monetary retention tools mentioned were: Job Rotation, **Professional Development/Continuous Training**, Leave for School Conferences, **Telecommuting**,

Recognition/Awards, Educational Leave, Domestic Violence Leave, Sabbatical, Bringing Children to work, On-site Fitness Centers, Career ladder, Exit Interviews, Concierge, Employee Attitude Surveys.

The report also looked at what they termed Transitional Retirement Options including: Part-Time work with Full Health Care Benefits, Mentoring Newer Staff before Retiring, Reduced Workload until Retired, and a Deferred Retirement Option Program.

Total compensation covering pay and benefits was also discussed in an effort to understand the impact they have on effective recruitment and retention.

The article, “As Boomers Gray, Savvy Employers Could See Silver Lining”, in HR Specialist Compensation & Benefits Newsletter published January 2010 was removed after one month’s posting in compliance with a copyright agreement between HRMS and HR Specialist.

Conclusions and Recommendations

Survey Recommendations

There were many recurring themes to retain workers nearing retirement among survey participants. The following are recommendations derived from the surveys and the review of the literature:

Flexible Work Options: (Many agencies follow these practices, but others could be more flexible.)

- Develop flexible work options and communicate to all staff that they are available, including part-time/part year, job sharing, reduced hours, flextime, compressed work weeks, and telecommuting.
- Allow reduced schedules to assist older workers nearing retirement to phase out.
- Allow retirees to return to work temporarily, perhaps to mentor new staff, for special projects, part-time, to cover leaves of absence or to fill in other staffing needs.
- Provide for flexibility in use of leave for eldercare and home care assistance; consider allowing additional accrued Sick Leave for care of family members. (Requires a legislative change.)
- Support of work-life balance by management.
- Flexibility with FTE count, allow double filling a position until the new worker has received adequate training. (May require funding for double salary and benefits.)
- Ability to step into a non-supervisory role the last few years before retirement.

Training and Development:

- Invest in training, retraining, career development and reward systems suitable for workers of all ages.
- Encourage older workers to participate in training and educational programs, making sure all employees understand that continual learning is for everyone.
- Provide technology training using methods to support mature students.
- Appreciate older workers' expertise and encourage them to share their expertise by presenting training or serving as mentors to others.
- Provide opportunities for cross-training, consider job enrichment assignments, knowledge-sharing roles, tuition assistance, and short term leaves of absence to pursue education.
- Provide generational training. (HRMS is developing a course.)
- Encourage transfers within state government as career opportunities.
- Change administrative rule on tuition reimbursement to allow an employee to work in any state agency rather than be limited to their existing agency to pay back tuition. (May require a legislative change.)

- Encourage participation in retirement planning education. For example, attendance at the PERS retirement seminars.

Employee Appreciation:

- Create a culture that values all employees.
- Celebrate individual and team workplace successes.
- Recognize excellence; allow agencies through funding to pay for recognition of employees through reward and recognition programs. (Requires a legislative change.)
- Periodically survey workers for their ideas and implement suggested changes as appropriate.

Compensation and Benefits:

- Develop an appropriate pay philosophy; closer relationship to market pay. (May require a legislative change.)
- More flexibility with respect to salary administration and FTE count. (May require a legislative change.)
- Strive to pay market wages. (Requires legislative support.)
- Recognition of prior work experience through salary.
- Step salary plan with automatic increase every year worked.
- Correct compression in pay system. (May require funding.)
- Continue fully funded health insurance.
- Pay health insurance for retiree who returns to work on a temporary basis.
- Continue the Defined Benefit Retirement Plan.
- Amend the Defined Benefit Plan to allow retirees to work up to 1,000 hours per calendar year with the same salary they were earning right before retirement. (Requires a legislative change.)
- After 25 years of service, add a personal day per month or quarter as extra time off or increase the annual leave.
- Fund pay-for-performance system.
- Ability to pay health insurance for part-time workers-funding consistent across agencies.
- Pay a retention bonus each year after a person has met the Rule of 85. (Requires a legislative change.)
- Increase the retirement health insurance benefit as years of service increase. (Requires a legislative change.)
- Increase the multiplier for the pension as years of service increase. (Requires a legislative change.)
- For those who work beyond the Rule of 85, allow a large percentage of the health insurance benefit to be directly paid to the retiree at retirement or used for an insurance plan other than the PERS plan-increase the percentage as more years are worked beyond the Rule of 85. (Requires a legislative change.)

- For those who work beyond the Rule of 85, increase vacation time above the current maximum. (Requires an administrative rule or legislative change.)
- For those who work beyond the Rule of 85, allow some sick leave to be used for personal leave. (Requires a legislative change.)
- Allow more than 40 hours of sick leave to be used to care for family members. (Requires a legislative change.)
- For those working beyond the Rule of 85, increase the amount paid for unused sick leave-increase the percentage based on the number of years worked after the Rule of 85. (Requires a legislative change.)
- Pay more of the health insurance premium for retirees. (Requires a legislative change.)
- Allow sick leave hours to be converted to money to pay for health insurance upon retirement. (Requires a legislative change.)

Other Considerations:

- Manageable workloads.
- Decent workspace, equipment and furniture.
- Redesign work space with brighter lighting and ergonomic workstations.
- Availability of dual advancement ladders-management and technical.
- More succession planning.
- Change the definition of “internal applicant” to include any state employee not just the employees of a particular agency. This will provide more opportunities for workers to advance their careers. (Requires an administrative rule change.)
- Provide management with information about flexible work environments. (HRMS can work with agency management to accomplish more flexibility.)

HRMS Conclusions

HRMS conducted an in-depth review of the survey results taking into special consideration the comments and ideas from active employees and retirees. The surveys from other public employers and the CSCA 10 States group provided additional insight and ideas and the various recent industry studies provided supporting information. After reviewing and considering the survey results and supporting information, HRMS recommends emphasis be placed in two key areas in order to retain older workers as they near retirement: pay and benefits and work environment. These two factors significantly outweighed others in terms of the statistical results of the survey plus the comments and ideas submitted by the various respondents.

HRMS recommendations are as follows:

HRMS recommends carefully monitoring the balance of pay and benefits to ensure an overall competitive position in the market. A study of employee compensation issues is underway in the

interim Government Services Committee. This study is addressing North Dakota's pay philosophy, market position, pay compression, pay distribution and balance of pay and benefits. Study recommendations may address many of the pay and benefits issues raised by the survey respondents. Given current market pressures regarding benefit programs (especially retirement and health care), HRMS does not feel it is appropriate to recommend benefit program modifications.

HRMS recommends agencies continue to offer and develop flexible or alternative work arrangements (flexible scheduling, telecommuting, and job sharing). Flexibility was cited consistently by respondents as a positive in the work place. Current statutes, rules, and policies allow significant flexibility and HRMS can work with agencies to develop more flexible work places.

HRMS recommends agencies consider redesigning jobs to allow employees nearing retirement the opportunity to reduce pressures and job stress by reducing the level of responsibility, if employees desire this option. This can be accomplished by varying or redistributing responsibility among employees in an agency.

HRMS recommends agencies are given flexibility in budgets and/or position authorization to double fill positions for a limited period of time to facilitate succession planning. Agency management noted the institutional knowledge held by employees is extremely valuable. Retaining older employees to mentor new employees for a limited period of time helps to ensure the transition of that knowledge, where appropriate. Agencies may need to address this in the budget and appropriation process.

HRMS recommends ensuring employees at all career stages have development opportunities. Life-long learning contributes to employee job satisfaction and buy-in.

HRMS recommends agencies allow their employees to participate in the HRMS generational training class when it is offered. Studies show that today's workforce covers three to four generations. Survey respondents suggested that their experience is not valued in their workplace. HRMS has also observed in other instances that new, younger employees feel that their ideas are disregarded by more senior workers. Stronger efforts to facilitate understanding among the generations may result in a more positive workplace for all.

The key to retention of employees is engagement. A truly engaged employee regardless of whether they are newly hired, mid-career, or nearing retirement is most productive and less likely to be actively looking for opportunities to move on.

The State of North Dakota currently provides in statute and administrative rules the opportunity for management to be flexible. Individual agency policies and practices, however, vary according to the agency management philosophy, mission of the organization and other pertinent criteria. This study identifies the need for agencies to reconsider their existing practices if they desire to retain workers nearing retirement. HRMS is available to assist agencies in their review and to help them modify their organizational structure to allow for the recommendations provided.

Some of the above recommendations would require legislative changes as noted.

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Appendix

1. Survey Questionnaires
2. Agency Management Interview Outlines